Building a Charter School Building: Creative Financing Options

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Photos courtesy of Daniel K. Mullin Architects

I would like to thank all the individuals involved in the financing and construction of the Moscow Charter School building, especially Sandra Noland, who was principal in the fourth and fifth year of the school's existence, when we were developing our plan and building our new building. Special thanks also to Brian Thie, the school's attorney who edited and contributed to this book; the Moscow Charter School board members who contributed to the building project, including Julie Ketchum and John Larkin; Senator Gary Schroeder and Representative Tom Trail for preparing and supporting charter school legislation; and Carolyn Mauer, the liaison between the Idaho Department of Education and Idaho charter schools. Thank you also to American West Bank for financing our construction project and Daniel K. Mullin Architects for designing the building.

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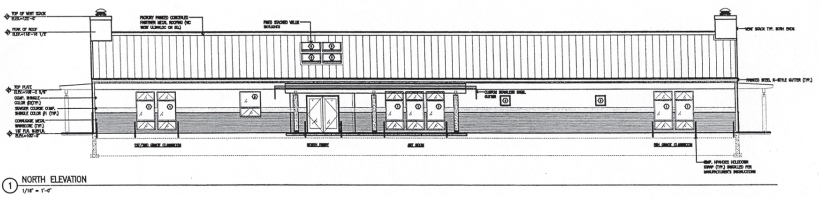

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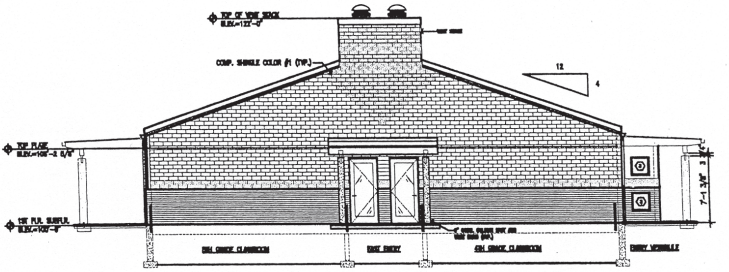
1/4" = 1'-0"



4 EAST & WEST ELEVATION
1/16" = 1'-0"

Preface

The Moscow Charter School in Moscow, Idaho is an accredited public elementary school serving grades kindergarten through sixth. Its mission is to provide an educational environment in which children's social, intellectual, and motor development is developed through a stimulating, well-rounded, hands-on, minds-on curriculum. Our curriculum integrates instruction in basic academic skills with creativity and problem-solving. It was founded in 1998 by a group of parents and educators with the common purpose of providing children with an educational environment in which they could master a variety of skills that would provide them with the tools to be good thinkers and to achieve successful intelligence. We knew that a large component of successful intelligence was based on a person's ability to find creative solutions to life's problems. Fostering creativity, problem-solving, and higher order thinking skills is a major school goal of the curriculum.

This book is the third in a series of three that serves to educate both teachers and parents interested in offering children an alternative educational environment, as we have done at the Moscow Charter School. The first book, *The Arts in Education: A Model for Integration*, written for both parents and educators, describes our unique curriculum, which integrates the arts with instruction in the traditional academic disciplines. *Teaching with Technology: A Model for Integration*, the second book, describes the different components of the Moscow Charter School technology program. In this book I will examine what is most often the biggest problem facing charter schools today: building and financing a suitable facility.

Introduction

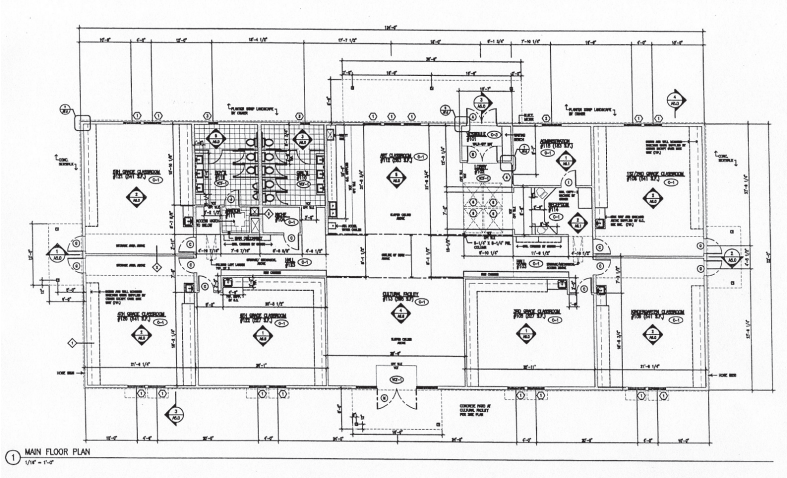
In 1997, I authored the charter for the Moscow Charter School, the first charter school in Idaho. Since then, I have served as Executive Director of the School. During my tenure I have often encountered other educators and parents who have themselves founded a charter school. One statement that I hear frequently from other charter school founders is, "If we had known how many obstacles are involved in starting a charter school, we never would have started the school to begin with."

This is a statement I could relate to in a very personal way, for during the first five years of the Moscow Charter School's existence, I frequently found myself caught in the quandary of wondering whether the school would be able to overcome what seemed like insurmountable odds to continue year after year. And while there were numerous obstacles to overcome, the biggest source of my frustration, and that of the school's other founders and administrators, involved the school's facility. We put a tremendous amount of time and energy into providing a suitable facility for our students – time and energy, of course – that could have been put into curriculum development, administration, and teacher support. Knowing this only doubled our frustration. To complicate matters, during the first three years of the school, neither our board nor myself had experience in the area of financing and building a public school facility. Throughout the five years of our quest to construct our own facility, it seemed to me as if each step forward led five steps back.

In fact, looking back, I feel it is truly a miracle that the Moscow Charter School now enjoys a new, aesthetically pleasing, pleasant, and affordable facility that enables us to educate students in a healthy and safe environment. We made every mistake along the way, but we did it, and we did it through the exercise of critical thinking, creativity and problem solving – those very same behav-

iors that we teach our students at the Moscow Charter School.

With this book, I hope to keep educators and parents from making the same mistakes we did. The charter school movement is still young – only a decade old, and there are few resources to guide individuals wishing to establish a charter school. This is why I think it is important to share our personal experiences at the Moscow Charter School in financing and constructing our facility. Thus, the structure of this book differs from the others in the series; it is a narrative of the process we underwent to provide our students with a safe and useful school building. After telling our story, I summarize the variables individuals involved in charter school facilities planning and construction should consider and provide specific resource information about funding sources for charter school facilities.



Facilities Financing for Charter Schools – Breaking New Ground

A decade after the birth of the charter school movement, many states, including Idaho, still have no mechanism for financing the construction of facilities for charter schools. As a result, public charter school students sometimes occupy substandard, and often unhealthy environments, even though their parents pay the same state and local taxes as other public school parents. In Idaho, this inequity is heightened by public policy that allows traditional public schools within local school districts, but not charter schools, to hold levy and bond elections to finance capital projects. Under these circumstances, financing the construction of their own facility will be the most difficult problem charter schools will face.

In 2003, an Idaho Charter Schools Initiative report found that while the administrations of former President Clinton and current President Bush have supported charter schools with start-up grants, only a few public financing programs exist that allow charter schools to use grant money to finance their facilities. Additionally, there are few programs that allow charter schools to use public funds, state or federal, as collateral for traditionally-financed construction loans.

The lack of public funding options has serious consequences. The Northwest Regional Educational Laboratory in Portland, Oregon, has contracted with the state of Idaho to conduct yearly evaluations of charter schools during the first five years of their operation. Each year, the evaluations have cited the lack of appropriate facilities and facilities financing as major challenges for Idaho charter schools. The Laboratory's fourth year program evaluation report states,

> "Facilities for [Idaho] charter schools continue to be a challenge. Seven of Idaho's 11 non-virtual schools are still in temporary facilities. Only two of the charter schools have facilities that were built specifically for them. Others are in older school buildings, leased office space, or portable buildings. Square footage per student tends to be smaller for Idaho charters than the national average (virtual schools notwithstanding)."

In 2002, for the first time, the federal government established funding programs in which charter schools could apply for loans that would act as collateral for construction loans. These programs are only available in a few states, leaving facility funding as a major barrier and challenge to many charter schools including those in Idaho.

Our Story

In the summer of 1998, the Moscow School District approved the request of the Moscow Charter School to begin operation that fall. At the time, Idaho charter school legislation contained no provisions to finance facilities; in fact, it was illegal for charter schools to hold bond or levy elections. It was also illegal for public schools (including charter schools) to be in debt; thus, we at the Moscow Charter School were left with only two alternatives for housing our school: renting or using a facility that had been donated.

Prior to approval of its charter, the Moscow Charter School had already located a temporary home in the basement of a local church. The basement extension where we were located had originally been built in the 1970s by a group of individuals to house a private religious-based school. When the charter was approved, the church leased the space to us and added new carpet and paint while we provided the labor for the renovations.

Yet, as we soon found out, this facility was an issue. Although the local school district had approved our charter, the Idaho Department of Education had concerns because our proposed school site was in a church. The Department's approving group worried the public would associate the school with the church, even though there was no connection between the two. Furthermore, the church basement had a number of logistical drawbacks, including very small classrooms.

The founders of the Moscow Charter School realized early on that our initial facility was inadequate and began searching for an alternative almost immediately after the charter was approved. To some extent, our problems were unique because we are a small school in a rural location. Moscow is a northern Idaho community of approximately 20,000 individuals, and facilities that either met the codes and requirements of a public school facility, or have the potential to do so, are virtually non-existent within the city limits

of Moscow. All the facilities that even came close to meeting the regulations still required extensive renovation. Charter schools in cities where large warehouse facilities exist would not necessarily experience these same problems.

For the first two years of our school's existence, we struggled to learn about codes for public school facilities and to find a location for a new school building. By the end of our second year, we had realized there were no existing structures in the Moscow area that would suit our needs. Thus, we decided to gather information about purchasing property on which to build our own facility and to explore options for the building itself. Should we purchase a modular building or construct our own?

In addition, we also began exploring ways to change the law so that charter schools could take out loans for financing their facilities. We contacted our local legislators to explain our need. In turn, they worked with us to support legislation that now allows Idaho charter schools to borrow money to finance facilities. Despite this legislative success, drawbacks continued to exist. The existing Idaho charter school legislation contained a sunset clause that required the state of Idaho to review charter schools at the end of five years to determine whether they would be allowed to continue operat-

ing. This provision made it difficult if not impossible for us to get bank approval on long-term loans for facilities.

During the third year of our school's existence, we decided to purchase land and either rent a modular structure or construct a school building. Having made this decision, and knowing that we could purchase land only with a long-term loan that went beyond a five-year period, we again worked with our local legislators to pass legislation that would eliminate the sunset clause from Idaho charter school legislation. By this time, we had developed some savvy concerning charter school legislation development, and after an extensive letter writing campaign, the Idaho legislature eliminated the sunset clause.

We were then ready to find two things: a site and a lending institution willing to lend us the money to purchase it. We contacted several banks from the surrounding area and immediately came up with a short list of two banks that were willing to talk to us about loans. We soon found out that the amount of time spent researching banks and filling out paperwork would be tremendous in scope, which was frustrating because we administrators were also expected to get the curriculum up and running. Adding to the

tension was the fact that we were turned down by all of the local lending agencies, leaving us with the appearance that we had no options for borrowing money.

In response, we decided to find a property that would pay for itself, thus providing us with better collateral for a traditional bank loan. That same year, we located a property that met this requirement and appeared to meet the local, state, and public school codes. The site had a house that we intended to turn into rental property, thus providing us with additional cash flow that we hoped would appeal to a lending institution. We went back to American West Bank, one of the local banks that had previously turned us down, and demonstrated to them that the rental income for the house could be used to pay on the loan. The bank agreed to loan us the money. We then purchased the property, and it appeared we had conquered our first hurdle toward obtaining our new facility.

Throughout the third year of operation of our school, we investigated and debated the pros and cons of purchasing or renting modular units versus building a new facility. After a thorough research campaign, we determined that purchasing modular units was just as expensive as building a new building and provided less equity in the long run. We learned that upon first examination, modular units are much cheaper. However, the brochures and basic pricing structures that come from the modular companies typically contain only the modular shell. They do not contain the cost of extra features that are necessary to meet state and local codes for public facilities. After the add-on features are calculated, the price is similar to that of constructing a stick-built structure at approximately $100 sq/ft. We also learned that modular units depreciate much quicker than a stick-built building. As a result, modular units are generally financed for a period of only 10 to 15 years, whereas a stick-built building typically can be financed for up to 30 years, which means a more reasonable payment schedule during a school's start-up years.

In our third year, based upon the projected loan payment that the Moscow Charter School would be able to make, and the fact

that modular structures tend to deteriorate faster over time, we made our final decision to build. Once this decision was made, we began to focus our energies on finding architects, obtaining financing, and preparing the site for construction. With grant funding, we hired architects to design a footprint of the building and engineers to design a site preparation plan. The local bank that gave us the loan for the property agreed to loan us the money that we needed to complete the site preparation. Using our growing enrollment as an incentive, the bank tentatively agreed to finance the building construction in stages. We also presented them with research demonstrating that we were eligible for two public financing programs that would support a construction loan.

The original site design and preparation was completed during this third year. However, the members of the Moscow Charter School board were unhappy with the basic rectangular footprint

plan that had been designed by the original architects who had also been hired to manage the site construction. Therefore, we decided to interview other architects to see if an innovative plan could be produced, one that more accurately matched the unique qualities of the school and that would also fit within our budget.

Thus, we put the design process out to bid and scheduled a series of presentation meetings to view potential architects. At the time, the only person on our board who was experienced with house construction was an individual who was a product designer by profession. After interviewing a series of architects, we chose a local firm of individuals who were associated with the University of Idaho School of Architecture. While they had no background in public construction, we believed their firm had a strong background in the development of unique and sustainable designs.

In hindsight, choosing this firm over another local firm that had a significant amount of experience building public buildings influenced the entire construction process. Expensive design errors continue to haunt us, even as we enter our sixth year. At the time, however, we were persuaded by the presentation style of the architectural firm that we chose, and we thus encouraged the

firm to design a building that was beautiful and sophisticated in design. We would find out later, though, that the proposed design was way beyond our budget.

In the summer prior to our fourth year, the first building design was completed, and we were ready to bid for a contractor. It was at this point that a new principal, with school facilities experience, joined our school. She was the only individual involved in the building planning process who had had experience with any type of public school construction. Specifically, she had overseen the construction of two schools while she served as a superintendent in Montana. In addition, she had built many houses with her husband who was himself a contractor. During the first bid process, we were in for a rude awakening. Only one contracting firm presented us with a bid, and it was 50% over our budget. The building the architects had designed was beautiful but much too expensive.

For the second bid process, our architects changed a few minor elements in their design. It was surprising to learn that the actual bidding process can cost thousands of dollars, depending on the number of contractors who request a bid packet. During the second bidding process, eight construction firms requested bid packets. In response to the second bidding, we received three bids, all close to 50% over budget.

The results of the second bid process helped us realize the importance of using architects experienced in the area of public school design and construction. At this point, we were faced with the reality that we would need to restart the design process and to invite submissions on construction bids a third time. We began to negotiate again with the architects who were demanding full price to produce another design. In the final decision, our board voted to pay the architects to redesign the building. Paying the architects to start over was our first experience in going over budget on the project, and we were forced to use precious money from our contingency fund to finance the design phase of our building.

On the third design, board members were more realistic and practical about design changes. We were assertive with the

architects regarding the creation of a design that would both fulfill our needs and fit within our small budget. For example, instead of building a two-story building, we decided to go with a single story building with smaller classrooms than had been originally planned. In essence, we opted for a bare bones building, leaving out a lunchroom and a multi-purpose room for special classes and physical education classes when the weather was bad. During the final construction phase of the main building, however, we decided to build a metal pole building on the grounds to house both the lunchroom and the multi-purpose room at significantly less money per square foot than the main building.

After putting this much-reduced design out to bid, we received the exact bid we could afford. However, we discovered later that construction projects usually have additional cost overruns not included in the original bid, and the only thing holding up construction at this point was obtaining suitable financing.

While in the process of finding a contractor, we had been discussing the building project with the local bank that had originally loaned us the money for the purchase of our land. This bank

agreed to work with us on a construction loan if we could provide proof of ability to pay back the loan. While continuing to research options for obtaining guarantees, we learned that the size of the construction loan would be determined by the type of loan we would obtain (based upon the rate/term) as well as the value of the project appraisal. The bank provided us with an individual to perform the appraisal.

In the process of conducting our research on loan programs, we discovered two public finance programs that applied to our circumstance as a charter school. The first program is under the auspices of the Idaho Housing Authority (IHA). This program offered 100% financing but had substantial upfront costs of roughly $26,000. In addition, this program would require us to pay a trustee's fee of about $1,500 per year.

The other program, through the U.S. Department of Agriculture (USDA), is for rural charter schools in a community with a population under 20,000. Under this program, there was a USDA loan fee in addition to the bank's loan fee, totaling 3.5% of the loan. We were, however, able to obtain an interest rate at prime +0.5%, which when compared to market rates, means we would recoup

the USDA fee in little more than one year. Under the conditions of the USDA program, the agency provided the bank with guarantees for 80% of the costs of the appraised value. With grants and other donations we had received during the design phase of the project, we demonstrated that we had already achieved our 20% equity.

Thus, in the final analysis, we chose the USDA option for two reasons. At the time we applied for our loan, we had not yet received an appraisal because we were building our buildings in phases, which meant we were unable to determine the exact amount that we needed for the IHA loan. Secondly, we had invested so much of our own cash into the project that we no longer had a reserve fund big enough to pay the finance fees required by the IHA.

By choosing the USDA option, the appraisal became a critical element of the financing equation for several reasons. As a cash-strapped, start-up school, we needed to have our property appraised at its highest value since we would be able to secure a loan for only 80% of that amount. Securing the appropriate loan amount to cover construction costs was critical as it meant our operating budget would not have to bear the strain of providing additional cash for the completion of the project. Unfortunately, because there were no comparables for charter schools, the appraiser was forced to use a comparable that we feel undervalued the school, causing long-term complications for us in procuring the proper loan amount.

Because our property with the building on it was undervalued in appraisal, we were left in a bind when it came time to finish financing both the main building and the second building situated on the back of the property. We needed an additional $50,000 to complete the second building, which now serves as a multi-purpose

facility. As a result of the appraisal, we had to furnish additional cash to complete the construction of the main building and work with the bank to find an additional loan for the remaining $50,000. Finding extra cash was difficult when we had already drained our reserve fund.

Financing the additional $50,000 for the multi-purpose building required creativity on both our side and on the side of the bank. Because we were unable to borrow any more money under the USDA loan, we were left with few alternatives. One was to have the building reappraised. A re-appraisal would have cost approximately $5,000 and could have taken months to complete. At this point we were under a time constraint to finish the second building while the first building was still under construction. Completing the second building at this time would save us between $10,000 and $15,000 because the contractor was still on site and was willing to work with

us on the cost. We had already spent all our contingency funds, and there was no certainty the appraisal value would increase.

We came up with two different solutions to provide collateral for the final $50,000 required to finish the project. The first called for parents to purchase Certificates of Deposit (CDs) at the bank holding our loan, at a special interest rate offered by the bank. The duration of these instruments would be for three years during which they would serve as collateral for a portion of the $50,000 loan amount. We decided not to extend this offer to board members due to possible conflicts of interest. With the second solution, parents, board members and interested individuals would offer to co-sign the remainder of loan. To our delight, the bank approved both methods for financing the remaining loan amount, and we

were fortunate in that enough volunteers came forward to make this option work.

At this point, one more hurdle remained: to reduce our loan payment by $1,000 dollars per month. We approached the bank and requested that we finance our $50,000 loan over 30 years instead of five. The bank approved this request. Moreover, once the overall debt is decreased to less than 80% of the loan to value amount, the bank will release the guarantees and the collateralized CDs. To date, we carry two loans for our new buildings, and we have a loan payment that fits our budget. The only remaining construction item not completed is to pave the parking lot.

As I mentioned earlier, we paid loan fees of 3.5%, which is about 2% higher than a conventional loan. A total of 1.5% percent went to the bank plus an additional 2% went to the USDA. While at first glance the USDA fee appeared to be high, it did have its advantages. The fee served as an insurance payment for the USDA guarantees on the final loan, and our loan payment was subject to a variable interest rate of prime plus 0.5%. The low interest rate we got will allow us to recoup the USDA fee in about a year and to realize significant savings in the long run.

Conclusion

The process of building our school was a trial that stretched everyone's limits and talents, but it all worked out in the end...for the most part. We are still struggling to correct some of the problems that still exist. These problems include a mechanical system that does not regulate separate thermostats for each region of the building, which means some classrooms are freezing while others are too hot. In addition, the mechanical system is built with open ducts that are noisy, making it difficult to hear in some locations in the building. We also paid extra fees to re-grade the site and are working with the City of Moscow to finalize an acceptable drainage system that should have been included in the original design. These basic problems continue to cost the school time and money.

Despite these problems, which many administrators responsible for managing facilities may also experience, the students of the Moscow Charter School now have a beautiful new building in which everyone takes ownership. As a result of our dedication, hard work, and creativity, we overcame what appeared to be an insurmountable obstacle, but there is still work to be done now and in the future. Specifically, we are continuing to work to reform Idaho legislation regarding facilities funding for charter schools.

Most states, as well as the federal government, still lack direct loan programs for construction of charter school facilities. Thus, charter schools are forced to rely on traditional construction loans to finance the construction of a building. Even though last year the federal government introduced some new programs that allow charter schools to apply for collateral money to use against a construction loan to finance a new facility, Idaho charter schools did not qualify for these programs. Had such a program been in place in Idaho, we would have had an existing mechanism for financing the final $50,000 of our construction loan and enable us to complete the paving of the school's parking lot. Having established a

good rapport with our state legislators during the construction of our facility, we are building upon this relationship to expand facilities financing options for Idaho's other charter schools, specifically the establishment of a collateral fund charter schools could use to help fund construction or improvements.

Variables that Affect the Financing of your School Building

1. Understand your state's charter school legislation as it relates to financing facilities.

Had we understood our charter school legislation regarding facilities financing, we would probably have made the decision to wait an entire year before opening the school. The first year could have been better spent working to pass legislation designed to assist charter schools in financing their facilities. Had we done this, we believe our building project would have been shorter by at least a year.

2. Classify Your Project Properly

How your school is classified by public agencies such as the Internal Revenue Service is important because it helps determine the type of funding options that are available to your school. For example, the Moscow Charter School is a small, rural Title I school that is classified as a nonprofit corporation as defined by both Idaho law and the Internal Revenue Service. We learned this lesson the hard way; it should have been one of the first steps we took, but we discovered our classification only as we progressed in our research to finance our school building. Once we understood our school's classification, however, we discovered we were eligible for both an Idaho Housing Authority (IHA) loan and a guarantee loan program through the USDA specifically for rural, non-profit organizations, including charter schools.

3. Develop a Long-range Plan

Develop your projected housing needs plan early – while writing your charter or during the first five years when your school still qualifies for start-up grants. Keep in mind that federal start-up

grants can be used in the design phase of your facility. We failed to develop a long-range plan until the third year of the school's existence, and even then, the plan changed substantially during the fourth and fifth year as we faced the realities of construction costs and loan amounts. In addition, having individuals who are knowledgeable about public school construction on your planning committee will save time and money in the long run.

4. Phasing of Projects

We chose early on to develop our project in phases because we were unable to find financing for the entire project in the early stages.

The phases of our project were:

Phase One:	Purchase land
Phase Two:	Prepare site and design the facility
Phase Three:	Construct the facility
Phase Four:	Final construction for unforeseen projects related to the original building
Phase Five:	Finish the playground
Phase Six:	Pave the parking lot

During the design and construction of your facility, choose at least one board member and an administrator who have experience with public school construction or hire an advisor to take your school through each step. We completed Phase II, which included designing the facility and preparing the site, with grant funding and private donations. We signed separate loans for each phase. We did not sign our construction loan with the USDA until the project was almost completed. We signed the long term loan in August 2003 after everything was completed. By then, we had occupied the building for a year.

We were creative and assertive in our relationship with our bank, designing the type of loan we needed and researching loan

programs that might match our needs. We continued to research other banks and lending institutions throughout the process of developing our final long term loan. Because interest rates were so low, we talked to many different types of lending agencies about consolidating and refinancing the two loans.

5. Choosing Professionals to Carry Out Your Vision

If possible, hire local architects that have experience in public school construction. This should be written into the bid language when you put the building design out to bid. Also specify in your contract with the architects that you are paying them to produce a design within a specific budget (include square footage and price per square foot). Make sure your agreement contains a condition that states that redesigning the building due to high bids should be a cost to the architects. Hire a construction firm that has experience in public school construction. Include this specification in the bid language. Hiring competent professionals during all phases of the construction process should cut down on attorney fees.

Hire a local attorney who you can trust and who supports the charter school movement. We were fortunate in our choice of an attorney because he had been a contractor in a previous profession. We valued his advice when making construction decisions on the project and relied on him during the difficult process of negotiating with the architects. In fact, at least half of his paid time was spent in negotiations with the architects. Our attorney also assisted us with drafting legislation, negotiating the loan with the bank, and reviewing all contracts associated with design and construction. He also helped us set up the bid process and answered general questions associated with the legalities of the entire process.

6. Appraisal

Work closely with your appraiser. Make sure he or she uses the correct model on which to base the appraisal. If a model does not exist for charter schools in your state, then help the appraiser to research models in other states. Our appraiser used a

commercial building model for the appraisal, which turned out to be an inappropriate model and resulted in the property being under-valued.

7. Develop a Relationship with your Lending Institution

Developing a relationship with a local lending institution can take awhile, but persistence will pay off. We know from first-hand experience; the bank that eventually gave us two loans had first turned us down twice. We changed their minds by selecting a site that provided us with rental income.

Because we carefully researched potential loan programs prior to loan negotiations with our bank, we always brought something "to the table" when we had meetings. This attitude fostered an innovative approach to the process that focused on potential ways to construct a loan rather than on the process of being granted or denied a loan.

Keep thorough and accurate records of all expenditures related to the creation of your new facility during all phases. This is important because traditional loan programs often require a certain percentage of the construction costs as a down payment. If your school mortgages only a certain percentage of construction costs, be sure to record all expenses paid with funds not financed by your lending institution as part of your down payment. Keep in mind, too, that lending institutions always look more favorably upon you if you have invested some of your own cash into your project.

8. Loan Fees

The application of loan fees is complex, and they are often not completely understood until the final loan is signed, and after the papers are signed, your lending institution should provide you with a statement of loan fees. Traditionally, loan fees paid to the bank for a construction project are approximately 1.5% of the total loan. Because the USDA insured our loan, we ended up paying a total of 3.5% in loans fees: 1.5% to the bank and 2% to the USDA.

However, the bank agreed to give us sub-market interest rates of variable prime plus .5%.

9. Loan Design for the Moscow Charter School

Design a loan that fits within the constraints of your budget so that you can conduct a productive discussion about your needs with the lending institution. The components of our loan design included a traditional taxable construction loan, a long-term loan guaranteed by the USDA, and an additional loan in the amount of $50,000, which was financed with two types of collateral:

1)Interest-bearing, three-year Certificates of Deposit at a special interest rate designated by the bank purchased by individuals who supported the school.

2) Three individuals (at $5,000 each) personally guaranteed the amount not financed through Certificates of Deposit.

One idea that we discussed thoroughly but did not use was to pay a competitive interest rate to individuals who would provide personal loans to the charter school. We researched this idea and reviewed the forms and legal contracts of a local non-profit food co-operative that had used this method to finance repairs of an old building. However, we decided not to use this option. If you do, be careful of conflicts of interest that pertain to public entities.

10. Chemical Clean-Up and Storage

Chemical clean-up can present a formidable challenge to your construction budget. These issues should be researched prior to the purchase of your property. In our case, prior to the purchase of our site, our lending institution required a historical check of chemical use on the property. You should always obtain, at a minimum, a Phase I environmental assessment.

11. Grant Awards

Many charter schools are eligible for federal start-up grants during the first five years of operation. Although these grants cannot be used to finance the actual construction of the project, they can be used for designing the project and for some technology design and installation. For example, we used start-up grants to finance the design of the general project, the "footprints" for the building and grounds, the site plan and drainage plan, the technology network and installation design and design of interior spaces. These are all value added to the project that can be used in loan negotiations to justify project value, appraisal, and equity position.

Resources

Resources on financing charter school facilities are limited; however, the following sites on the World Wide Web are good starting points:

- U.S. Charter Schools: http://www.uscharterschools.org: Contains specific information on facilities financing, including planning, conducting a needs assessment, selecting a site, financing, and additional resources.
- The Center for Education Reform: http://edreform.com/charter_schools: a clearinghouse of information for charter schools organized by state.
- Idaho Charter School Network: http://csi.boisestate.edu/icsn: Includes specific information about financing facilities and legislative action in Idaho.
- Friends of Charter Schools: http://www.charterfriends.org: the website of a charter school advocacy organization.
- CharterSchooLaw.com: http://charterschoolaw.com: Includes links to information about facilities, contractors and architects.

Notes:

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